

**Joint-Stock Company  
“Navoi Mining and  
Metallurgical Company”**

**Compliance Report for the London  
Bullion Market Association’s  
Responsible Gold Guidance  
for the year ended 31 December 2021**

## **Independent Reasonable Assurance Report to Joint-Stock Company "Navoi Mining and Metallurgical Company" on its Compliance Report for the London Bullion Market Association's Responsible Gold Guidance for the year ended 31 December 2021.**

To the management of Joint-Stock Company "Navoi Mining and Metallurgical Company".

### **Introduction**

We were engaged by Joint-Stock Company "Navoi Mining and Metallurgical Company" (the "Refiner") to provide reasonable assurance on the London Bullion Market Association's Responsible Gold Guidance (the "Guidance") Refiner's Compliance Report for the year ended 31 December 2021 (the "Report").

### **Subject matter and criteria**

The Refiner has assessed and reported its level of compliance with the Guidance in the Report. The subject matter of our engagement is the assertions made by the Refiner in its Report. The Guidance specifies the criteria to be used for the purposes of evaluating the Refiner's assertions in its Report.

Our engagement was performed with the objective of providing a reasonable assurance conclusion on whether the assertions made by the Refiner in its Report, with respect to the activities undertaken to demonstrate compliance with the Guidance, are fairly described.

### **Inherent limitations**

Non-financial information, such as that included in the Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by refiners to comply with the Guidance may differ. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques that can result in materially different measurements and can impact comparability.

### **Management's responsibility**

The management of the Refiner is responsible for the preparation and presentation of the Report in accordance with the Guidance and establishment of such internal control as management determined is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error. This responsibility includes establishing appropriate risk

management and internal controls from which the reported information is derived. The criteria identified by the management as relevant for demonstrating compliance with the Guidance are the activities described within the Report.

## **Assurance providers' responsibility**

Our responsibility is to express a conclusion on the Report based on the procedures performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000") issued by the International Auditing and Assurance Standards Board and the guidance set out in the LBMA Responsible Gold Programme - Third Party Audit Guidance for ISAE 3000 Auditors ("the Audit Guidance").

This standard requires that we plan and perform procedures in order to obtain reasonable level of assurance as to whether the Report is in conformance with the Guidance.

Our engagement has involved performing procedures to obtain evidence about the information included in the Report. The procedures performed on the Report have been based on our professional judgement and have included inquiries, primarily with the Refiner's personnel responsible for the preparation of information included in the Report, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

- enquiry of management to gain an understanding of the Refiner's processes and risk management procedures in place in relation to the gold supply chain;
- enquiry of relevant staff responsible for the preparation of the Report;
- site visit to the Refiner's venue and operating sites for observing the production process and obtaining information on the process adopted by the Refiner in order to comply with the requirements of the Guidance;
- assessment of the suitability of the policies, procedures and internal controls that the Refiner has in place to conform to the Guidance;
- obtaining of supporting documentation in order to verify the consistency of the qualitative and quantitative information included in the Report with the available evidence; and
- assessment of the underlying processes and controls that support the information in the Report.

## **Independence and Other Ethical Requirements**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control (ISQC) 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

In conducting our engagement, we confirm that we satisfy the criteria for assurance providers as set out in the Audit Guidance pertaining to ethical conduct, fair presentation, due professional care, independence, integrity, and subject matter expertise to carry out the assurance engagement.

## **Conclusion**

In our opinion, the Refiner's Compliance Report for the year ended 31 December 2021, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance with the Guidance, and management's overall conclusion contained therein, is in accordance with the requirements of the Guidance.

## **Restriction on distribution and use**

This Report has been prepared for the Refiner for the purpose of assisting the management in determining whether the Refiner has complied with the Guidance and for no other purpose. Our assurance report is made solely to the Refiner in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than the Refiner for our work, or for the conclusions we have reached in the assurance report.

*AD "Deloitte & Touche" LLC*

14 June 2022

Tashkent, Uzbekistan

## REFINER'S COMPLIANCE REPORT

### Table 1 – Refiner's details:

**Refiner's name:** Joint-Stock Company Navoi Mining and Metallurgical Company ("NMMC")

**Location:** 27, Navoi Street, Navoi, Uzbekistan, 210100

**Reporting year-end:** 31 December 2021

**Date of report:** 14 June 2022

**Senior management for this report:** Chief Engineer – Mr. A. F. Ravshanov

### Table 2 – Summary of activities undertaken to demonstrate compliance:

#### **Step 1: Establish strong company management systems**

#### **Compliance Statement with Requirement:**

During the reporting year, we have fully complied with Step 1: Establish strong management systems.

#### **Has the Refiner adopted a company policy regarding due diligence for supply chains of gold?**

We adopted a company policy regarding due diligence for supply chains of gold.

#### **Comments and demonstration of compliance:**

In 2021, NMMC followed the guidelines set forth in its Gold Supply Chain Policy, approved by Compliance Officer, in line with Annex II of Organisation for Economic Cooperation and Development Due Diligence Guidance, and acknowledges its accountability to respect human rights and the possibility of significant, adverse impacts associated with the extraction, trade, handling, and export of gold, while reaffirming our commitment to refrain from any action that contributes to the financing of armed conflicts.

NMMC was exposed to very low gold supply chain risks during the reporting period as no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers in 2021, in particular:

- All gold bearing material supplies came from 100% NMMC-owned mines;
- 99,99% of gold bearing material supplies came from mines operated by NMMC, while the residual 0,01% were supplied by Artisanal and Small-Scale Miners ("ASMs") who operate in designated NMMC-owned areas under licensing agreements.

We established a separate gold supply chain due diligence policy and also relied upon the number of internally set policies and instructions, as well as legislation of the Republic of Uzbekistan to ensure that our internal operations were in compliance with the requirements of the LBMA Responsible Gold Guidance (the "Guidance") pertaining to Anti-Money Laundering, Terrorist Financing and Human Rights violations.

NMMC has followed a number of relevant guidelines and laws during the reporting period including the following ones:

<b>Legislation of the Republic of Uzbekistan</b>	<b>Internally Set policies and instructions</b>
<ul style="list-style-type: none"> <li>• Law on Anti-money laundering and terrorism financing;</li> <li>• Law on health and safety;</li> <li>• Policy on protection of child rights against all forms of exploitation, sale of children, child prostitution and child pornography;</li> <li>• Law on foreign economic activity;</li> <li>• Law on appeals of individuals and legal entities to the state/government bodies;</li> <li>• Regulation on development of instructions on labour safety and protection.</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation of Human Resources Department;</li> <li>• Internal guidance rules on employment;</li> <li>• Regulation of Complaints Department;</li> <li>• Collective Agreement between Employer and Trade Union;</li> <li>• Trade Union Policy;</li> <li>• Regulation on technical and labour safety;</li> <li>• Regulation on effective usage of financial means.</li> </ul>

**Has the Refiner set up an internal management structure to support supply chain due diligence?**

We have set up an internal management structure to support supply chain due diligence.

**Comments and demonstration of compliance:**

We have existing governance processes, reporting lines, organisational structure that are being used to support the Guidance. We appointed a qualified employee for the role of Compliance Officer. Our existing governance processes, reporting lines, internal audit communication and management procedures are being used to support the Guidance.

**Has the Refiner established a strong internal system of due diligence, controls and transparency over gold supply chain, including traceability and identification of other supply chain factors?**

We established a strong internal system, controls and transparency over the precious metal supply chain, including traceability and identification of other supply chain actors.

**Comments and demonstration of compliance:**

As in 2021, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers, controls over supply chain relate to internal controls existed within NMMC. The stock controls are set as part of the internal transportation process within the gold supply chain. The overall transportation process is internal and is solely performed by NMMC. Stock controls exist at each of the 3 steps of transportation process: ore delivery, semi-finished products delivery and finished products delivery. Each of these steps involves controls such as weighting, reports and reconciliations at each and in between the delivery points. Furthermore, all transportation process is performed under direct supervision of the representatives of the State Security Service.

**Has the Refiner strengthened company engagement with gold supplying counterparties, and where possible, assisted gold supplying counterparties in building due diligence capabilities?**

During the reporting period, NMMC was exposed to very low risk associated with the gold supply chain, as in 2021, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers.

**Has the Refiner established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management?**

We have established a company-wide communication mechanism to promote broad-based employee participation and risk identification to management via different sources.

**Comments and demonstration of compliance:**

We have a Department of Complaints, thus allowing employees to report anonymously on any breaches of policies, including, but not limited to, human rights, unfair dismissal, potential bribery etc., directly to the Head of HR Department.

In addition, we have twenty-four hour hot-line service, where employees can report any risks and incidents. The reported risks and incidents, depending on the risk level, are assigned to the relevant managers or even senior management to be resolved.

**Step 2: Identify and assess risks in the supply chain**

We have fully complied with Step 2: Identify and assess risks in the supply chain.

**Does the Refiner have a process to identify risks in the supply chain?**

We have a process to identify risks in the supply chain.

**Comments and demonstration of compliance:**

NMMC is not exposed to any country risk as all of the gold bearing material supplies are from the Republic of Uzbekistan. According to Heidelberg Barometer, Uzbekistan has a low risk rating as the political and economical situations in the Republic are stable. Also, Uzbekistan is a member of the Eurasian Group on Combating Money Laundering and Terrorist Financing, one of the FATF Style Regional Bodies and is rated medium to low risk on the Basel AML index. There is a minimum company and commodity risk, as all gold bearing materials sources, processing and smelting facilities, transportation chain belong to NMMC.

**Does the Refiner assess risks in light of the standards of their due diligence system?**

We assess risks in light of the standards of their due diligence system.

**Comments and demonstration of compliance:**

During the reporting period, NMMC was exposed to very low risk associated with the gold supply chain, as in 2021, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers.

**Does the Refiner report risk assessment to the designated manager?**

NMMC reports risk assessment to the Compliance officer.

**Comments and demonstration of compliance:**

NMMC has an assigned Compliance officer. As part of his duties, the Compliance officer assesses the risks of new chains and submits it to the Management. Compliance officer also assesses the processes within NMMC for compliance with the Guidance.

**Step 3: Design and implement a management system to respond to identified risks**

We have fully complied with Step 3: Design and implement a management system to respond to identified risks.

**Has the Refiner devised a strategy for risk management of an identified risk by either (i) mitigation of the risk while continuing to trade, (ii) mitigation of the risk while suspending trade or (iii) disengagement from the risk?**

Risk identification is based on the internal corporate risk control procedures. In 2021, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers.

**Whenever a risk mitigation strategy is designed, it should include:**

**Measurable steps to be taken and achieved, monitoring of performance, periodic risk reassessment, and regular reporting to designated senior management.**

During the reporting period, NMMC was exposed to very low risk associated with the gold supply chain, as in 2021, no significant quantities of gold bearing material supplies were provided to the refinery by external suppliers. Internal NMMC procedures were monitored for compliance with the Guidance.



**Step 4: Arrange for an independent third-party audit of the supply chain due diligence**

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

**Comments and demonstration of compliance:**

NMMC engaged the services of "Deloitte & Touche" LLC Audit organisation, and its independent reasonable assurance report.

**Step 5: Report on supply chain due diligence**

We have fully complied with Step 5: For the year ended 31 December 2021.

**Comments and demonstration of compliance:**

We established a separate gold supply chain due diligence policy and also relied upon the number of existing policies and instructions. We appointed Compliance Officer in connection with the requirements of the Guidance.

**Table 3 – Management conclusion****Is the Refiner in compliance with the requirements of the LBMA Responsible Gold Guidance for the reporting period?**

Yes, partially.

NMMC has implemented effective management systems, procedures, processes and practices to conform to the requirements of the Guidance.

However, the information requests from auditors required a significant amount of time, resulting in considerable delays in preparing the NMMC's Compliance Report and the related independent reasonable assurance report.

NMMC is committed to continuous improvement, and any corrective actions identified will be monitored internally on a regular basis.

**Table 4 – Other report comments**

NMMC has an approved gold supply chain due diligence policy in accordance with the Guidance.

If users of this report wish to provide any feedback to NMMC with respect to this report, they can send an e-mail to: [info@ngmk.uz](mailto:info@ngmk.uz)

  
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